

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2007

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DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2006 Election)		
Dolores Altheide	President	2006
Marty Owen	Vice President	2008
Edward Reese, Jr.	Board Member	2006
Rita Grob	Board Member	2007
Rod Lynch	Board Member	2007
Rob Melvin	Board Member	2008
Kenneth Wuthrich	Board Member	2008
Board of Education		
(After September, 2006 Election)		
Marty Owen	President	2008
Kenneth Wuthrich	Vice President	2008
Rita Grob	Board Member	2007
Rod Lynch	Board Member	2007
Rob Melvin	Board Member	2008
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
School Officials		
Anne Morgan (retired 12/31/06)	Superintendent	2006
Sam Miller	Superintendent	2007
Betsy Bassett	District Secretary/Treasurer and Business Manager	2007
Sue Seitz		
Rick Lynch	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2007 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

November 1, 2007

Davis County Community School District's Management Discussion & Analysis

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The District received \$675,256 from sales tax revenue.
- The Board of Education chose to purchase one new and one used bus from the PPEL fund instead of general fund.
- The District continued to utilize some of the food service balance to update equipment.
- The District experienced a large increase in fuel costs for transporting students and an increase in utilities costs to heat and cool the buildings.
- The District launched a new anti-bullying harassment program which included hiring a consultant to provide expertise in training staff and students.
- The District continued to support professional development for improvement in reading, mathematics, science, technology, and character education.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-3 below provides a summary of the District's net assets at June 30, 2007, compared to June 30, 2006.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 7,356	7,336	114	153	7,470	7,489	-0.3%
Capital assets	4,783	4,936	127	118	4,910	5,054	-2.8%
Total assets	12,139	12,272	241	271	12,380	12,543	-1.3%
Long-term liabilities	1,507	2,031	-	-	1,507	2,031	-25.8%
Other liabilities	4,491	4,656	1	-	4,492	4,656	-3.5%
Total liabilities	5,998	6,687	1	-	5,999	6,687	-10.3%
Net assets:							
Invested in capital assets, net of related debt	4,846	4,433	127	118	4,973	4,551	9.3%
Restricted	338	354	-	-	338	354	-4.5%
Unrestricted	957	798	113	153	1,070	951	12.5%
Total net assets	\$ 6,141	5,585	240	271	6,381	5,856	9.0%

Financial Analysis of the District as a Whole

The District has strong fund balances. Experts in school finance recommend solvency ratio between 8-15%; the District is above that. The District has determined needs in several areas, and is carefully utilizing existing excess balances in fund to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining a quality staff.

Figure A-4 shows the change in net assets for the year ended June 30, 2007.

Figure A-4 Changes in Net Assets (Expressed in Thousands)						
Governmental Activities		Business type Activities		Total District		
Year ended June 30,		Year ended June 30,		Year ended June 30,		
2007	2006	2007	2006	2007	2006	
Revenues:						
Program revenues:						
Charges for service	\$ 795	870	212	220	1,007	1,090
Operating grants, contributions and restricted interest	1,708	1,754	235	213	1,943	1,967
Capital grants, contributions and restricted interest	-	112	-	-	-	112
General revenues:						
Property tax	3,084	3,051	-	-	3,084	3,051
Local option sales and service tax	675	641	-	-	675	641
Unrestricted state grants	4,887	4,677	-	-	4,887	4,677
Unrestricted investment earnings	154	115	5	3	159	118
Other	22	24	-	-	22	24
Total revenues	11,325	11,244	452	436	11,777	11,680
Program expenses:						
Governmental activities:						
Instruction	6,724	6,699	-	-	6,724	6,699
Support services	3,300	3,105	-	-	3,300	3,105
Non-instructional programs	-	4	483	409	483	413
Other expenses	745	730	-	-	745	730
Total expenses	10,769	10,538	483	409	11,252	10,947
Change in net assets	\$ 556	706	(31)	27	525	733

In the 2006-07 school year, the District did considerable maintenance work, utilizing the Physical Plant and Equipment (PPEL) fund and sales tax revenues. In addition, the district has a commitment to early retirement payments.

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,724	4,592
Support services	3,300	3,300
Non-instructional programs	-	-
Other expenses	745	374
Totals	<u>\$ 10,769</u>	<u>8,266</u>

The cost of all governmental activities this year was \$10,769,000 an increase of \$231,000 due to the increase in teacher quality compensation paid to teachers from the state of Iowa.

The portion of the cost financed by users of the District's programs was \$8,266,000.

The net portion of governmental activities was financed with \$3,759,205 in property and sales tax, \$4,886,683 in state sources.

Business Type Activities

The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business type activities increased by \$14,690 to \$451,748 while expenses increased by \$73,830 to \$483,023.

The District has been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities. The District has utilized investments to update equipment four consecutive years. Federal support for the lunch program is \$228,010 (free/reduced lunches).

Financial Analysis of the District's Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The net change in General Fund balance was \$64,221. The District purchased two buses from a different fund (PPEL) instead of the typical practice of coming from the general fund. A new bus costs approximately \$70,000. The District will not always be able to purchase from PPEL because of building needs.

The Physical Plant and Equipment Levy (PPEL) and sales tax revenues were utilized for many of the items of remodeling and updating done this past year on infrastructure needs as well as the purchase of the buses.

Business Type Highlights

The School Nutrition Fund change in net assets was \$31,275.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for patrons of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District was within the certified budget.

Capital Asset and Debt Administration

Figure A-6, provides a summary of the District's capital.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 107	107	-	-	107	107	0.0%
Construction in progress	-	-	-	-	-	-	
Buildings	3,639	3,761	-	-	3,639	3,761	-3.2%
Improvements other than buildings	704	773	-	-	704	773	-8.9%
Furniture and equipment	333	295	127	118	460	413	11.4%
Totals	\$ 4,783	4,936	127	118	4,910	5,054	-2.8%

By the end of fiscal 2007, the District had invested \$4,783,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Long Term Debt

Figure A-7 provides a summary of the District's long term debt.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 505	750	-32.7%
Early retirement	1,002	1,281	-21.8%
Totals	<u>\$ 1,507</u>	<u>2,031</u>	<u>-25.8%</u>

At year-end, the District had \$1,507,000 in general obligation debt and other long-term debt outstanding. This represents a decrease of \$524,000 from last year. Long-term obligations include bond payments on the elementary and early retirement obligations.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

Future capital projects

Changes in certified enrollment

Approved debt that has not had an impact yet on District's overall financial condition

Employee contract settlements

Physical plant needs on the high school

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 S. Washington Street, Bloomfield, Iowa 52537.

Basic Financial Statements

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,009,778	93,024	4,102,802
Receivables:			
Property tax:			
Delinquent	58,500	-	58,500
Succeeding year	3,001,893	-	3,001,893
Accounts	21,808	-	21,808
Due from other governments	263,322	-	263,322
Inventories	-	20,846	20,846
Capital assets, net of accumulated depreciation	4,783,091	127,157	4,910,248
Total assets	12,138,392	241,027	12,379,419
Liabilities			
Excess of warrants over bank balance	388,130	1,148	389,278
Accounts payable	141,999	-	141,999
Salaries and benefits payable	890,167	-	890,167
Accrued interest payable	1,252	-	1,252
Deferred revenue:			
Succeeding year property tax	3,001,893	-	3,001,893
Long-term liabilities:			
Portion due within one year:			
Bonds payable	250,000	-	250,000
Early retirement	222,564	-	222,564
Compensated absences	67,135	-	67,135
Portion due after one year:			
Bonds payable	255,000	-	255,000
Early retirement	779,651	-	779,651
Total liabilities	5,997,791	1,148	5,998,939
Net assets			
Invested in capital assets, net of related debt	4,846,348	127,157	4,973,505
Restricted for:			
Management levy	157,252	-	157,252
Debt service	13,064	-	13,064
Physical plant and equipment levy	5,465	-	5,465
Other special revenue purposes	161,964	-	161,964
Unrestricted	956,508	112,722	1,069,230
Total net assets	\$ 6,140,601	239,879	6,380,480

See notes to financial statements.

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,033,057	428,683	762,224	-
Special instruction	1,247,274	120,411	545,058	-
Other instruction	443,903	246,325	29,702	-
	<u>6,724,234</u>	<u>795,419</u>	<u>1,336,984</u>	<u>-</u>
Support Service:				
Student services	284,552	-	-	-
Instructional staff services	180,839	-	-	-
Administration services	1,377,210	-	-	-
Operating and maintenance of plant services	690,661	-	-	-
Transportation services	767,201	-	-	-
	<u>3,300,463</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	354,053	-	-	-
Long-term debt interest	19,617	-	-	-
AEA flowthrough	371,339	-	371,339	-
	<u>745,009</u>	<u>-</u>	<u>371,339</u>	<u>-</u>
Total governmental activities	10,769,706	795,419	1,708,323	-
Business type activities:				
Non-instructional programs:				
Nutrition services	483,023	212,076	234,441	-
	<u>483,023</u>	<u>212,076</u>	<u>234,441</u>	<u>-</u>
Total	<u>\$ 11,252,729</u>	<u>1,007,495</u>	<u>1,942,764</u>	<u>-</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,842,150)	-	(3,842,150)
(581,805)	-	(581,805)
(167,876)	-	(167,876)
(4,591,831)	-	(4,591,831)
(284,552)	-	(284,552)
(180,839)	-	(180,839)
(1,377,210)	-	(1,377,210)
(690,661)	-	(690,661)
(767,201)	-	(767,201)
(3,300,463)	-	(3,300,463)
(354,053)	-	(354,053)
(19,617)	-	(19,617)
-	-	-
(373,670)	-	(373,670)
(8,265,964)	-	(8,265,964)
-	(36,506)	(36,506)
-	(36,506)	(36,506)
(8,265,964)	(36,506)	(8,302,470)

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Totals from previous pages	\$ 11,252,729	1,007,495	1,942,764	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gifts to Davis County Community School District				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				
See notes to financial statements.				

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(8,265,964)	(36,506)	(8,302,470)
2,746,460	-	2,746,460
264,584	-	264,584
72,905	-	72,905
675,256	-	675,256
4,886,683	-	4,886,683
154,063	5,231	159,294
2,720	-	2,720
19,270	-	19,270
8,821,941	5,231	8,827,172
555,977	(31,275)	524,702
5,584,624	271,154	5,855,778
\$ 6,140,601	239,879	6,380,480

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Assets						
Cash and pooled investments	\$ 2,927,302	372,758	9,049	527,647	173,022	4,009,778
Receivables:						
Property tax:						
Delinquent	44,724	7,058	5,267	-	1,451	58,500
Succeeding year	2,578,068	350,000	-	-	73,825	3,001,893
Accounts	21,308	-	-	-	500	21,808
Due from other governments	214,595	-	-	48,727	-	263,322
Total assets	\$ 5,785,997	729,816	14,316	576,374	248,798	7,355,301
Liabilities and Fund Balances						
Liabilities:						
Excess of outstanding warrants over bank balance	\$ 388,130	-	-	-	-	388,130
Accounts payable	126,338	-	-	8,117	7,544	141,999
Salaries and benefits payable	890,167	-	-	-	-	890,167
Early retirement payable	-	222,564	-	-	-	222,564
Deferred revenue:						
Succeeding year property tax	2,578,068	350,000	-	-	73,825	3,001,893
Compensated absences	67,135	-	-	-	-	67,135
Total liabilities	4,049,838	572,564	-	8,117	81,369	4,711,888
Fund balances:						
Reserved for:						
State grants	43,581	-	-	-	-	43,581
Debt service	-	-	14,316	-	-	14,316
Unreserved	1,692,578	157,252	-	568,257	167,429	2,585,516
Total fund balances	1,736,159	157,252	14,316	568,257	167,429	2,643,413
Total liabilities and fund balances	\$ 5,785,997	729,816	14,316	576,374	248,798	7,355,301

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 2,643,413
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***Amounts reported for governmental activities in the
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,783,091
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,252)
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Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(1,284,651)</div>
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Net assets of governmental activities (Exhibit A)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 6,140,601</div>
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See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2007

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Revenues:						
Local sources:						
Local tax	\$ 2,372,099	374,361	264,584	675,256	72,905	3,759,205
Tuition	523,010	-	-	-	-	523,010
Other	150,262	1,283	276	19,778	274,143	445,742
State sources	5,810,310	331	229	-	63	5,810,933
Federal sources	786,793	-	-	-	-	786,793
Total revenues	9,642,474	375,975	265,089	695,034	347,111	11,325,683
Expenditures:						
Current:						
Instruction:						
Regular	4,902,735	164,774	-	-	-	5,067,509
Special	1,234,633	-	-	-	-	1,234,633
Other	181,785	-	-	-	245,075	426,860
	6,319,153	164,774	-	-	245,075	6,729,002
Support services:						
Student	283,987	-	-	-	-	283,987
Instructional staff	161,232	-	-	-	-	161,232
Administration	1,203,681	195,553	-	14,007	10	1,413,251
Operation and maintenance of plant	691,048	556	-	-	-	691,604
Transportation	676,255	7,676	-	-	121,310	805,241
	3,016,203	203,785	-	14,007	121,320	3,355,315
Other expenditures:						
Facilities acquisition	-	-	-	299,648	64,231	363,879
Long-term debt:						
Principal	-	-	245,000	-	-	245,000
Interest and fiscal charges	-	-	20,138	-	-	20,138
AEA flowthrough	371,339	-	-	-	-	371,339
	371,339	-	265,138	299,648	64,231	1,000,356
Total expenditures	9,706,695	368,559	265,138	313,655	430,626	11,084,673
Excess (deficiency) of revenues over (under) expenditures	(64,221)	7,416	(49)	381,379	(83,515)	241,010
Other financing sources (uses):						
Operating transfers in (out)	-	-	-	(60,000)	60,000	-
Total other financing sources (uses)	-	-	-	(60,000)	60,000	-
Net change in fund balances	(64,221)	7,416	(49)	321,379	(23,515)	241,010
Fund balances beginning of year	1,800,380	149,836	14,365	246,878	190,944	2,402,403
Fund balances end of year	\$ 1,736,159	157,252	14,316	568,257	167,429	2,643,413

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ 241,010

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 138,136	
Depreciation expense	<u>(291,254)</u>	(153,118)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	245,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	521
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>222,564</u>
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Change in net assets of governmental activities (Exhibit B)	<u>\$ 555,977</u>
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See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 93,024
Accounts receivable	
Inventories	20,846
Capital assets, net of accumulated depreciation	<u>127,157</u>
Total assets	<u>241,027</u>
Liabilities	
Excess of outstanding warrants over bank balance	<u>1,148</u>
Total liabilities	<u>1,148</u>
Net Assets	
Invested in capital assets, net of related debt	127,157
Unrestricted	<u>112,722</u>
Total net assets	<u><u>\$ 239,879</u></u>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year ended June 30, 2007

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for service	<u>\$ 212,076</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	175,271
Benefits	43,078
Purchased services	6,593
Supplies	241,287
Depreciation	16,794
Total operating expenses	<u>483,023</u>
Operating loss	<u>(270,947)</u>
Non-operating revenues:	
Interest income	5,231
State sources	6,431
Federal sources	228,010
	<u>239,672</u>
Net loss	(31,275)
Net assets beginning of year	<u>271,154</u>
Net assets end of year	<u><u>\$ 239,879</u></u>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year ended June 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 212,076
Cash payments to employees for services	(218,349)
Cash payments to suppliers for goods or services	(207,776)
Net cash used by operating activities	(214,049)
Cash flows from non-capital financing activities:	
State grants received	6,431
Federal grants received	192,554
Net cash provided by non-capital financing activities	198,985
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(26,100)
Cash flows from investing activities:	
Sale of investments	16,842
Interest on investments	5,231
Net cash used by investing activities	22,073
Net decrease in cash and cash equivalents	(19,091)
Cash and cash equivalents at beginning of year	110,967
Cash and cash equivalents at end of year	\$ 91,876
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (270,947)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	35,456
Depreciation	16,794
Decrease in inventories	648
Decrease in prepaid expense	4,000
Net cash used by operating activities	\$ (214,049)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 93,024
Excess of warrants over bank balance	(1,148)
Cash and cash equivalents at year end	\$ 91,876

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$35,456 of federal commodities.

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2007

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 3,268</u>
Total assets	<u><u>\$ 3,268</u></u>
Net Assets	
Reserved for scholarships	<u><u>\$ 3,268</u></u>
See notes to financial statements	

Exhibit K

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year ended June 30, 2007

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest on investments	<u>\$ 156</u>
Deductions:	
Non-instructional services	
Services	<u>10,082</u>
Change in net assets	(9,926)
Net assets beginning of year	<u>13,194</u>
Net assets end of year	<u><u>\$ 3,268</u></u>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments as follows:

Davis County Savings Bank MM Fund	\$ 2,680,317
Davis County Savings Bank Certificates of Deposit	<u>1,002,605</u>
	<u><u>\$ 3,682,922</u></u>

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Total capital assets not being depreciated	107,275	-	-	107,275
Capital assets being depreciated:				
Buildings	6,269,491	-	-	6,269,491
Improvements other than buildings	1,610,802	-	-	1,610,802
Furniture and equipment	1,712,199	138,136	35,740	1,814,595
Total capital assets being depreciated	9,592,492	138,136	35,740	9,694,888
Less accumulated depreciation for:				
Buildings	2,508,813	121,690	-	2,630,503
Improvements other than buildings	837,537	69,460	-	906,997
Furniture and equipment	1,417,208	100,104	35,740	1,481,572
Total accumulated depreciation	4,763,558	291,254	35,740	5,019,072
Total capital assets being depreciated, net	4,828,934	(153,118)	-	4,675,816
Governmental activities capital assets, net	\$ 4,936,209	(153,118)	-	4,783,091
Business type activities:				
Furniture and equipment	\$ 222,602	26,100	6,531	242,171
Less accumulated depreciation	104,751	16,794	6,531	115,014
Business type activities capital assets, net	\$ 117,851	9,306	-	127,157

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 139,148
Special	12,641
Other	17,043

Support services:

Student	565
Instructional staff	19,607
Administration	12,923
Operation and maintenance of plant	4,857
Transportation	84,470
	291,254

Unallocated

Total depreciation expense - governmental activities	\$ 291,254
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Business type activities:

Food service operations	\$ 16,794
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DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 750,000	-	245,000	505,000	250,000
Early retirement	1,280,672	-	278,457	1,002,215	222,564
	<u>\$ 2,030,672</u>	<u>-</u>	<u>523,457</u>	<u>1,507,215</u>	<u>472,564</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	2.80/2.90%	\$ 250,000	13,277	263,277
2009	3.05/3.15%	255,000	5,920	260,920
	Total	<u>\$ 505,000</u>	<u>19,197</u>	<u>524,197</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$394,035, \$383,251, and \$374,895, respectively, equal to the required contributions for each year.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(6) Termination Benefits

The District offered a voluntary early retirement plan for all employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 allowed the District to pay the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. Such money payment was to be in an amount equal to .010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. Option 2 allowed the retiree to continue in the District's group health insurance covering the employee at the time of their retirement through the month in which the retiree attained 65 years of age. Early retirement benefits paid during the year ended June 30, 2007, totaled \$278,457. This program expired after the 2003-04 fiscal year and has not been renewed.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$371,339 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Related Party Transaction

The District had business transactions totaling \$12,697 between the District and District officials during the year ended June 30, 2007.

Required Supplementary Information

Davis County Community School District

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 4,727,957	217,307
State sources	5,810,933	6,431
Federal sources	786,793	228,010
Total revenues	<u>11,325,683</u>	<u>451,748</u>
Expenditures:		
Instruction	6,729,002	-
Support services	3,355,315	-
Noninstructional programs	-	483,023
Other expenditures	1,000,356	-
Total expenditures	<u>11,084,673</u>	<u>483,023</u>
Excess (deficiency) of revenues over (under) expenditures	241,010	(31,275)
Balances beginning of year	<u>2,402,403</u>	<u>271,154</u>
Balances end of year	<u><u>\$ 2,643,413</u></u>	<u><u>239,879</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts Original and Final	Variance Favorable (Unfavorable)
4,945,264	4,641,532	303,732
5,817,364	5,989,326	(171,962)
1,014,803	1,326,944	(312,141)
11,777,431	11,957,802	(180,371)
6,729,002	7,476,000	746,998
3,355,315	3,571,401	216,086
483,023	510,000	26,977
1,000,356	1,069,355	68,999
11,567,696	12,626,756	1,059,060
209,735	(668,954)	
2,673,557	2,105,830	
2,883,292	1,436,876	

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 169,008	4,014	173,022
Receivables:			
Property tax:			
Delinquent	-	1,451	1,451
Succeeding year	-	73,825	73,825
Accounts	500	-	500
Total assets	\$ 169,508	79,290	248,798
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,544	-	7,544
Deferred revenue:			
Succeeding year property tax	-	73,825	73,825
Total liabilities	7,544	73,825	81,369
Fund balances:			
Unreserved fund balances	161,964	5,465	167,429
Total liabilities and fund balances	\$ 169,508	79,290	248,798

See accompanying independent auditor's report.

Schedule 2

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 Year ended June 30, 2007

	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	72,905	72,905
Other	273,096	1,047	274,143
State sources	-	63	63
Total revenues	273,096	74,015	347,111
Expenditures:			
Current			
Instruction:			
Other	245,075	-	245,075
Support services:			
Administration	-	10	10
Transportation	-	121,310	121,310
Other expenditures:			
Facilities acquisition	-	64,231	64,231
Total expenditures	245,075	185,551	430,626
Excess (deficiency) of revenues over (under) expenditures	28,021	(111,536)	(83,515)
Other financing sources:			
Operating transfers in	-	60,000	60,000
Total other financing sources	-	60,000	60,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	28,021	(51,536)	(23,515)
Fund balance beginning of year	133,943	57,001	190,944
Fund balance end of year	\$ 161,964	5,465	167,429

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2007

Account	Balance Beginning of Year	Transfers	Revenues	Expenditures	Balance End of Year
Senior High					
Yearbook	\$ 11,920	-	6,410	5,788	12,542
Concessions	8,540	-	14,821	14,323	9,038
Mustang Media	-	-	791	47	744
Mustang Pride	79	-	100	-	179
Athletics	12,843	-	47,333	34,535	25,641
Football	227	-	10,512	8,409	2,330
Baseball	2,326	-	6,052	6,720	1,658
Boys' Track	138	-	97	607	(372)
Wrestling	1,451	-	6,436	6,099	1,788
Cross Country	2,511	-	1,788	1,846	2,453
Girls' Basketball	1,105	-	2,978	3,348	735
Special Olympics	-	1,230	-	-	1,230
Boys' Basketball	1,276	-	4,596	5,054	818
Girls' Softball	1,998	-	869	2,724	143
Girls' Track	9	-	2,062	1,806	265
Girls' Volleyball	2,744	-	10,698	9,327	4,115
Instrumental Music	6,336	-	12,489	14,092	4,733
Soda	227	-	2,371	1,725	873
Vocal Music	1,129	-	3,060	3,467	722
Drama and Speech	215	-	185	335	65
3 Act Play	661	-	1,003	866	798
Fut. Farmers of Amer.	5,009	-	20,424	22,145	3,288
Quiz Bowl	22	-	-	-	22
Nat'l Honor Soc.	500	-	-	224	276
Pep Club	7,776	-	16,886	13,253	11,409
Spanish Club	301	-	566	326	541
Student Council	237	-	-	232	5
Art Club	138	(25)	3,671	3,039	745
Girls' Tennis	787	-	494	640	641
Boys' Tennis	63	-	955	920	98
Class of 2005	183	(158)	-	-	25
Class of 2006	2,332	1,700	-	729	3,303
Class of 2007	1,701	45	1,595	2,420	921
Class of 2008	1,779	45	4,640	4,584	1,880
Class of 2009	356	46	581	61	922
Class of 2010	66	46	235	21	326
Class of 2011	-	-	60	-	60
Future Educators of America	702	-	645	507	840
Girls' Golf	170	-	527	162	535
Octagon Club	550	25	-	-	575
High School Academics	1,226	(2,929)	21,898	16,024	4,171
HS Milk	466	-	633	847	252
HS Miscellaneous	-	23	-	-	23
HS FBLA	39	-	270	-	309
Home Economics	398	-	1,961	1,884	475
IA Science Club	23	(23)	21	15	6
Cargill Healthy	1,000	-	-	1,000	-
Guidance	421	(25)	4,046	4,365	77
Boys' Golf	985	-	795	634	1,146
Subtotal	82,965	-	215,554	195,150	103,369

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2007

Account	Balance Beginning of Year	Transfers	Revenues	Expenditures	Balance End of Year
Middle School					
Athletics	5,281	-	9,710	10,932	4,059
Vocal Music	1,622	-	3,429	2,532	2,519
Instrumental Music	30	-	137	55	112
Student Council	2,879	-	1,871	3,159	1,591
Yearbook	5,423	-	2,711	3,680	4,454
Paper and Pen	394	-	-	-	394
7th/8th Football	4	-	-	-	4
7th/8th Girls Basketball	654	-	1,280	-	1,934
7th/8th Boys' Basketball	38	-	391	-	429
Cross Country	150	-	-	-	150
Girls' Track	129	-	-	-	129
8th Volleyball	86	-	88	-	174
Student Council Pop Cans	327	-	68	98	297
Middle School Academics	10,419	-	22,107	21,149	11,377
Middle School Milk	-	-	1,704	1,108	596
Gifted/Talented	819	-	454	308	965
Subtotal	28,255	-	43,950	43,021	29,184
Bloomfield Elementary					
Academics	22,414	-	11,562	5,068	28,908
Elementary Pop	230	-	-	-	230
Home School	-	-	1,944	1,836	108
Interest	79	-	86	-	165
Subtotal	22,723	-	13,592	6,904	29,411
Total	\$ 133,943	-	273,096	245,075	161,964

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	2007	2006	2005	2004	2003	2002
Revenues:						
Local sources:						
Local tax	\$ 3,759,205	3,692,023	3,298,803	2,868,349	2,905,572	2,890,837
Tuition	523,010	600,186	560,369	426,545	369,288	281,188
Other	445,742	403,411	374,513	370,043	347,262	412,444
State sources	5,810,933	5,515,711	5,588,939	5,174,073	5,290,080	5,243,622
Federal sources	786,793	1,029,880	1,390,813	649,006	673,138	484,832
Total	<u>\$ 11,325,683</u>	<u>11,241,211</u>	<u>11,213,437</u>	<u>9,488,016</u>	<u>9,585,340</u>	<u>9,312,923</u>
Expenditures:						
Instruction:						
Regular	\$ 5,067,509	4,937,473	4,061,128	3,836,553	3,514,299	3,443,224
Special	1,234,633	1,385,202	2,012,697	1,783,994	1,579,726	1,518,410
Other	426,860	437,152	1,011,658	806,413	816,751	726,947
Support services:						
Student	283,987	257,427	275,258	229,569	190,222	209,942
Instructional staff	161,232	126,382	270,315	263,706	231,455	300,584
Administration	1,413,251	1,436,205	1,264,451	990,996	943,032	968,571
Operation and maintenance of plant	691,604	619,083	617,424	605,722	565,106	589,564
Transportation	805,241	709,096	619,903	597,750	534,063	622,570
Food service operations	-	3,690	8,241	8,055	9,300	8,308
Other expenditures:						
Facilities acquisition	363,879	684,979	1,169,972	214,957	31,572	18,250
Long-term debt:						
Principal	245,000	245,000	240,000	240,000	205,000	205,000
Interest and other charges	20,138	25,620	29,990	36,070	77,360	84,898
AEA flowthrough	371,339	355,258	355,649	342,137	367,023	366,645
Total	<u>\$ 11,084,673</u>	<u>11,222,567</u>	<u>11,936,686</u>	<u>9,955,922</u>	<u>9,064,909</u>	<u>9,062,913</u>

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education			
Food Distribution (non cash)	10.550	FY 07	\$ 35,456
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	27,359
National School Lunch Program	10.555	FY 07	165,195
			<u>192,554</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1619-GC-07	6,374
Title I Grants to Local Educational Agencies	84.010	1619-G-07	327,505
			<u>333,879</u>
Vocational Education - Basic Grants to States	84.048A	FY 07	24,896
Improving Teacher Quality State Grants	84.367	FY 07	93,742
State Grants for Innovative Programs (Title V Program)	84.298A	FY 07	2,007
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY 07	9,003
Reading First State Grants	84.357	FY 07	118,364
Grants for State Assessments and Related Activities (Title VI A Program)	84.369	FY 07	8,365
Area Education Agency:			
Special Education - Grants to States (IDEA Part B)	84.027	FY 07	76,362
Total			<u>\$ 894,628</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Davis County Community School District

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Davis County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies and no deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Davis County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Davis County Community School District's financial statements that is more than inconsequential will not be prevented or detected by Davis County Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Davis County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

November 1, 2007

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Davis County Community School District:

Compliance

We have audited the compliance of Davis County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We noted no significant deficiency in internal control over compliance that we consider to be a material weakness.

Davis County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

November 1, 2007

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Davis County Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting

- IV-A-07 Certified Budget - Disbursements for the year ended June 30, 2007, did not exceed the certified budgeted amounts.
- IV-B-07 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Doug Warning, Spouse of H.S. Teacher, Sandra Warning	Construction Services	\$4,089
Viking Services, Inc., Spouse of Administrative Assistant Wende Howk	Maintenance Services	8,608

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-07 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2007

- IV-G-07 Disbursement Approval - For several transactions tested, there was insufficient documentation to determine proper approval procedure was followed.
- Recommendation - The District should ensure all expenditures are properly approved and should maintain proper documentation to support approval.
- Response - We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.
- Conclusion - Response accepted.
- IV-H-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.